

FILE COPY

DARLENE GREEN  
Comptroller



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



*Internal Audit Section*

Carnahan Courthouse Building  
1114 Market St., Room 608  
St. Louis, Missouri 63101  
(314) 622-4723  
Fax: (314) 613-3004

May 6, 2005

Malik Ahmed, CEO/President  
Better Family Life, Inc.  
724 N. Union, Suite 301  
St. Louis, MO 63133

RE: Fiscal Monitoring Report of Better Family Life, Inc.  
(#2005-SLATE 12)

Dear Mr. Ahmed:

Enclosed is a report of our fiscal monitoring review of Better Family Life, Inc. (Contracts #218-05, and #660-05) for the period July 1, 2004 through November 30, 2004. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Better Family Life, Inc. Our fieldwork was substantially complete on April 7, 2005.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and an agreement with the St. Louis Agency on Training and Employment (SLATE) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Dwayne Crandall at 613-7257.

Sincerely,

Mohammad H. Adil, CPA  
Internal Audit Manager

cc: Honorable Darlene Green, Comptroller  
Tom Jones, Director, St. Louis Agency on Training and Employment  
Kim Neske, Fiscal Manager, St. Louis Agency on Training and Employment

Enclosure



# CITY OF ST. LOUIS

*ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)*

*BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05 AND #660-05*

*FISCAL MONITORING REVIEW*

*JULY 1, 2004 THROUGH NOVEMBER 30, 2004*

*PROJECT #2005-SLATE12*

*DATE ISSUED: MAY 6, 2005*

*Prepared by:  
The Internal Audit Section*



## OFFICE OF THE COMPTROLLER

*Honorable Darlene Green, Comptroller*

**CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004**

**TABLE OF CONTENTS**

<b><u>Description</u></b>	<b><u>Page(s)</u></b>
INTRODUCTION	
Background	1
Purpose	2
Scope and Methodology	2
CONCLUSION AND SUMMARY OF OBSERVATIONS	
Conclusion	3
Status of Prior Observations	3
A-133 Status	3
Summary of Current Observations	4
DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES	5 - 9

**CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004**

**INTRODUCTION**

**Background**

**Contract Name:** Better Family Life, Inc.

**Contract Number:** #218-05 and #660-05

**Contract Period:** July 1, 2004 through June 30, 2005

**Contract Amount:** \$722, 438.98, and \$1,375,386.00

The contracts provide federal funds through the St. Louis Agency on Training and Employment (SLATE) to Better Family Life, Inc. for their adult and youth service programs.

Contract #218-05 is for Better Family Life's Youth Passport to the Future Education and Employment program. This program is intended to provide a continuous system of training options to educate and enhance education by providing job skills development and employment services for eligible youth. The program is designed to service 39 in school and 12 out of school youth participants over the course of the regular fiscal year.

Contract #660-05 provides Better Family Life with funds for its adult services program. This is a per performance contract in which costs are allocated among the administrative, intake-eligibility-case manager, work experience, job creation-public, job creation-private, OJT, job readiness, job placement, post-employment and job retention areas.

**CITY OF ST. LOUIS**  
**ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT**  
**BETTER FAMILY LIFE, INC.**  
**CONTRACTS #218-05, and #660-05**  
**FISCAL MONITORING REVIEW**  
**JULY 1, 2004 THROUGH NOVEMBER 30, 2004**

**INTRODUCTION**

**Purpose**

The purpose of our review was to determine Better Family Life, Inc.'s compliance with federal, state and local SLATE requirements for the period July 1, 2004 through November 30, 2004 and make recommendations for improvements.

**Scope and Methodology**

We made inquiries regarding Better Family Life, Inc.'s internal controls relating to the grant administered by SLATE, tested evidence supporting the reports the agency submitted to SLATE and performed other procedures considered necessary. Our fieldwork was substantially complete on April 7, 2005.

**Exit Conference**

The attendees representing Better Family Life, Inc. were Darryl A. Commings, Director of Finance, Travis Winston, Comptroller, and Harvey Vaughn, Housing Specialist. The attendees representing the Internal Audit Section were Dwayne Crandall MHA, CIA, CPA, Audit Supervisor, and Gary K. Finch, Auditor I.

**Note:** Better Family Life responded to a draft report on March 21, 2005. The Agency requested an exit conference after they responded to this report and prior to our publishing of the final report. In this exit conference the Agency gave us additional support that clarified our previous observations and partially resolved some. We resubmitted a second draft to the Agency. We received management's final written responses April 27, 2005. These responses are incorporated in this report.

CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004

CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

Better Family Life did not fully comply with federal, state and local SLATE requirements.

Status of Prior Observations

The Agency's most recent fiscal monitoring report dated April 26, 2004 identified two (2) observations:

1. Per Performance Reimbursement. (Resolved)
2. Payroll. (Resolved)

A-133 Status

Internal Audit reviewed the agency's A-133 audit report for the year ended December 31, 2003. The report identified no reportable conditions, instances of noncompliance material to the financial statements or federal award findings of questioned costs noted. However, the Agency's Schedule of Expenditures of Federal Awards (SEFA) included \$176,399 (CFDA 93.647) as passed through SLATE from the U.S. Department of Health and Human Services. These funds did not pass through SLATE. Excluding this amount, the Agency's SEFA over reported funds passed through SLATE by about three (3) percent (\$32,844). IAS recommended SLATE contact the Agency to require an amended audit report to correct these discrepancies on the SEFA. IAS also recommended SLATE request a copy of the management letter referred to in the audit report dated March 6, 2004 and furnish a copy to the Internal Audit office for review. The management letter was forwarded to SLATE and IAS. Also a letter from the external auditor dated February 15, 2005 was received acknowledging the error in the SEFA. **See Observation #1 for outstanding issues with respect to the management letter.**

**CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004**

**Summary of Current Observations**

We made recommendations for the following observations, which if implemented, could assist Better Family Life, Inc. in fully complying with federal, state, and local SLATE requirements.

1. An opportunity exists to update/reconcile accounting records more timely
2. Agency did not update or maintain inventory
3. There appears to be a situation of nepotism

CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004

**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND  
MANAGEMENT'S RESPONSES**

**1. An Opportunity exists to Update/Reconcile Accounting Records more Timely**

Generally Accepted Accounting Principles (GAAP) require accounting records be updated and reconciled in a timely manner. Moreover, according to the SLATE contract #660-05, page 7, paragraph 20, "The Contractee shall maintain such records and accounts as are necessary to assure proper accounting for billing and receipt of all contracted funds."

We noted differences between SLATE and Better Family Life's accounting records. IAS attempted to reconcile reimbursement requests for contract #660-05 with the Agency's general ledger. IAS was unable to initially reconcile with the Agency's general ledger during our initial visit. The Agency did not timely adjust billing to SLATE with what SLATE allowed. For example, the Agency's October 2004 billing was \$104,950.42. SLATE adjusted the billing to \$82,988.62. IAS reviewed the general ledger January 5th, 2005 and found the original billed amount. This was a discrepancy of \$21,961.80. On April 7, 2005 an exit conference was held at Better Family Life, Inc. located at 724 Union, Suite 301, St. Louis, Mo. 63108. The Agency presented support to show a contract modification had been submitted for these services to SLATE and these were approved in March with the exception of \$852.90. This remaining amount was adjusted with the implementation of new accounting software. This change was also made after our January 5<sup>th</sup> visit.

In the Agency's external auditor's management letter, dated March 6, 2004, concerns were noted involving the internal control and operational efficiency in certain areas. These included, a lack of monthly bank reconciliations, existence of old outstanding checks, inaccurate aging of accounts receivable, absence of in-kind donations on financials, absence of detailed fixed assets records and an informal year-end closing schedule. IAS discussed this letter with the Agency's Comptroller on January 27, 2005 to clarify the direction the Agency is taking as to these areas. In this interview the Agency's Comptroller offered reasons for the above problems and proposed solutions.

The Comptroller indicated bank statements and investments were now reconciled monthly, accounts receivable, and event sales should be improved by changing accounting software. He stated that the Agency had done a software change over at the beginning of the year, 2005. Other areas were adversely impacted by a lack of personnel in the accounting area. The Agency has hired a Fiscal Director to organize the accounting area and make it more efficient. Other improvements such as controls



CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004

regarding checks were provided in discussions with the Comptroller who stated that now check stock is only valid for ninety (90) days.

**Recommendation**

We recommend the Agency continue to comply with SLATE's contractual regulations and adjust the accounting records as soon as possible. Accurate records must be maintained in compliance with SLATE's contractual arrangements.

We also recommend the Agency's accounting personnel and management set a schedule of the duties to be performed, which can be verified at the next fiscal monitoring visit. There is also a need for an accounting procedures manual to outline each associates job, duties, and schedule for each of these duties.

**Management's Response**

*... As discussed in your finding, there was \$852.90 of disallowed costs for the month monitored. You have indicated these costs were written off subsequent to your January 5<sup>th</sup> visit. Additionally, you have observed that we changed accounting systems; this change was made at the end of our fiscal year in December, 2004.*

*In conjunction with the change-over to the new accounting system, we made the aforementioned adjustment, in addition to ensuring that any other costs disallowed were also written off. Evidence of this write-off was presented at our exit conference.*

...

*As noted, we have recently changed accounting systems and added accounting personnel. We agree that, as a result of these changes, our accounting procedures and assigned tasks needed to be reviewed and updated. We are currently in the process of that review/update and would be willing to share the final product with you once it is completed.*

**CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004**

**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND  
MANAGEMENT'S RESPONSES**

**2. Agency did not Update or Maintain Fixed Assets**

In accordance with the "Equipment Custody Form" with St. Louis Agency on Training and Employment (SLATE), the Agency borrowed six (6) CPU's, six (6) 15" monitors, and one (1) DeskJet printer. According to this agreement the Agency is not allowed to dispose of this equipment without the express written permission of St. Louis Agency on Training and Employment (SLATE). The Agency failed to account for one (1) monitor and one (1) printer. The Agency also failed to maintain an inventory list to keep track of the computer equipment.

On April 7, 2005 at our exit conference the Comptroller showed IAS the two (2) assets, which could not be found earlier.

The Agency did not have an inventory list of the fixed assets with locations of assets or value. Also, the incomplete documentation of the agency's borrowed computer equipment violates conditions of the SLATE agreement.

**Recommendation**

We recommend the Agency comply with SLATE's policies and procedures and provide a complete inventory of the equipment and ensure it is available for inspection.

**Management's Response**

*We agree that our fixed asset records need to be updated. We have a fixed asset listing, but it needs to be updated after a physical inventory of our assets is taken. We are updating our policies and procedures to ensure that a physical inventory of all assets is taken at least annually. As of this writing, a physical inventory of assets is being taken and the results of the inventory will be available for future monitoring visits.*

CITY OF ST. LOUIS  
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT  
BETTER FAMILY LIFE, INC.  
CONTRACTS #218-05, and #660-05  
FISCAL MONITORING REVIEW  
JULY 1, 2004 THROUGH NOVEMBER 30, 2004

**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND  
MANAGEMENT'S RESPONSES**

**3. There Appears to be a Situation of Nepotism**

The contract #660-05 on page 11-12, paragraph 33, section D states, "Contractee shall comply with 20 CFR 667.200(g) (1) (2) which addresses nepotism.

- (1) "Restrictions. No recipient, subrecipient, or on-the-job training position funded under the Act if a member of that person's family....."
- (2) "No recipient, subrecipient, hire a person in an administrative capacity, staff position, or on-the-job training position funded under the Act if a member of that person's immediate family engaged in an administrative capacity....."
- (3) "For the purpose of this section the term "immediate family" .....would include wife, husband, .....brother, ....."
- (4) "The term "persons in an administrative capacity" includes those persons who have overall administrative responsibility for a program, ....."
- (5) The term "staff position" includes all Work Opportunity Reconciliation Act staff position funded under the Act, such as instructors, counselors, and other staff involved in administrative training or service activities."

The Agency did not comply with the above contract agreement. The Agency's CEO/President is paid from the TANIF/660-05 contract as the Facility Management, who is his brother. The Director of Finance is the husband of one of the Case Managers.

**Recommendation**

We recommend both individuals mentioned above resign immediately, seek private funding or request a waiver from the cognizant federal agency.

**Management's Response**

*We disagree with this finding, as discussed below:*

*[The] Finance Director; hire date 11/1/2004 and [the] Case Manager; hire date 10/6/2003: Neither of these persons supervises or is supervised by the other, as required by 20CFR 667.2009(g)(1). While it may be argued that [the*

**CITY OF ST. LOUIS**  
**ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT**  
**BETTER FAMILY LIFE, INC.**  
**CONTRACTS #218-05, and #660-05**  
**FISCAL MONITORING REVIEW**  
**JULY 1, 2004 THROUGH NOVEMBER 30, 2004**

**Management's Response (Continued)**

*Finance Director] (in his capacity...) serves in an administrative capacity for Better Family Life as a whole, his responsibilities with regard to any of SLATE projects do not include "selection, hiring and placement, or supervisory responsibilities" (as required by Contract #660-5, Section 33(D)(4)). He has no authority to initiate any transactions under the SLATE projects. He reports directly to the CEO and has no further reporting responsibilities. Based on the foregoing, we maintain there is no opportunity for either [the Finance Director] or [the Case Manager] to exert undue influence relating to SLATE projects.*

*[The] CEO and Founder and ... [the] Facility Manager; hire date 1/2/2003: While we acknowledge that [the CEO] and [the Facility Manager] are brothers, we maintain that the claim of nepotism is tenuous. In no case has Better Family Life used undue influence in the hiring of [the Facility Manager], nor is he in any position administratively or otherwise to exert undue influence on any aspect of the program. Additionally, we fail to see how the Facility Manager (Custodian) could be construed to be in an administrative position.*

*While we disagree as to the interpretation of the various regulations, we agree to seek a waiver from the Department of Housing and Urban Development, the City of St. Louis' cognizant federal agency.*

**Auditor's Response**

We believe the Agency's offer to seek a waiver is an acceptable corrective action if submitted timely. Such a request can be addressed to Housing and Urban Development, ATTN: Dee Ann Ducote, 1222 Spruce, 3<sup>rd</sup> Floor, St. Louis, MO 63103.